

State of Idaho

Legislative Services Office

Individual Entity Audit Report

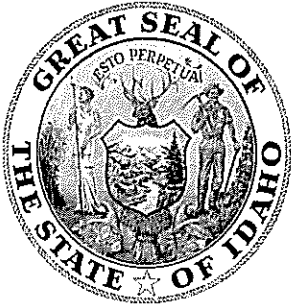
A communication to the Joint Finance-Appropriations Committee

SOUTHWEST DISTRICT HEALTH (III)

FY 2010

Report OP95310
Date Issued: October 28, 2011

Serving Idaho's Citizen Legislature



Idaho Legislative Services Office
Legislative Audits Division

Don H. Berg, Manager

SOUTHWEST DISTRICT HEALTH (III)

SUMMARY

PURPOSE OF AUDIT REPORT

We have audited the financial statements of Southwest District Health (III) for the fiscal year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America. The purpose of our audit is to determine whether the District's financial statements are materially accurate and reliable, and that it complied with laws and regulations affecting fiscal operations.

CONCLUSION

We conclude that the District's financial statements are materially accurate and reliable, and fiscal operations materially comply with related laws and regulations. As a result, we issued an unqualified opinion on the District's financial statements.

FINDINGS AND RECOMMENDATIONS

There are no findings and recommendations in this report or the prior report.

AGENCY RESPONSE

The District has reviewed this report and is in general agreement with its contents.

This report is intended solely for the information and use of the State of Idaho, Southwestern District Health (III), and the District's Board of Health, and is not intended to be used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the director, Bruce Krosch, and his staff.

ASSIGNED STAFF

Chris Farnsworth, CPA, Managing Auditor
Patrick Aggers, CPA, CFE, In-Charge Auditor
Jolene Crumley, Staff Auditor
Mark Schoenfeld, Staff Auditor
Suzie Jones, Staff Auditor

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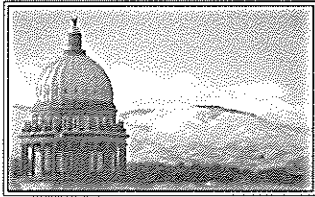
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Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

October 28, 2011

Unqualified Opinion on
Basic Financial Statements

Independent Auditor's Report

Bruce Krosch, Director
Southwest District Health (III)
13307 Miami Lane
Caldwell, ID 83607

William Brown, Chair, District III Board of Health
c/o Adams County Courthouse
P. O. Box 48
Council, ID 83612

Dear Mr. Krosch and Mr. Brown:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of Southwest District Health (III), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the District prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the cash basis financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, major fund, and the remaining fund information of the District as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 2.

As discussed in Notes 2 and 9, the District changed its financial statement presentation from the accrual basis of accounting to the cash basis of accounting in fiscal year 2010.

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis

0 Don H. Berg, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2011, our consideration of the District's internal control over financial reporting, and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters.

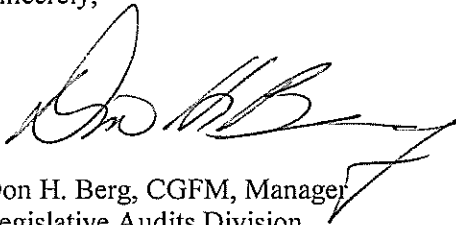
The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered when assessing the results of our audit.

The District has not presented the Management Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison information on page 12 is not a required part of the basic financial statements, but is supplementary information required to accompany those financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purpose of additional analysis as required by OMB *Circular A-133*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sincerely,

A handwritten signature in black ink, appearing to read 'Don H. Berg', with a stylized flourish extending from the end.

Don H. Berg, CGFM, Manager
Legislative Audits Division

STATE OF IDAHO
SOUTHWEST DISTRICT HEALTH (III)
STATEMENT OF NET ASSETS - CASH BASIS
AS OF JUNE 30, 2010

	June 30, 2010 Governmental Activities
ASSETS	
Cash and Cash Equivalents	<u>\$1,875,828</u>
Total Assets	<u>\$1,875,828</u>
NET ASSETS	
Unrestricted	<u>\$1,875,828</u>
Total Net Assets	<u>\$1,875,828</u>

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
SOUTHWEST DISTRICT HEALTH (III)
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	PROGRAM RECEIPTS			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	
<u>PROGRAMS</u>				
Governmental Activities:				
Administration	\$2,606,758	\$17,302	\$1,458,531	(\$1,130,925)
Family Health Services	2,087,592	551,360	837,120	(699,112)
Environmental Health	1,120,258	336,612	285,894	(497,752)
General Support	2,472,914	22,702	31,577	(2,418,635)
Nutrition & Health Promotion	1,638,757	2,253	1,891,550	255,046
Total Governmental Activities	<u>\$9,926,279</u>	<u>\$930,229</u>	<u>\$4,504,672</u>	<u>(\$4,491,378)</u>

General Receipts:	
State receipts	\$1,309,400
Investment income	10,211
County receipts	1,116,688
Total General Receipts	<u>\$2,436,299</u>
Change in Net Assets	(2,055,079)
Beginning Net Assets, (as restated)	<u>3,930,907</u>
Ending Net Assets	<u>\$1,875,828</u>

The accompanying notes are an integral part of these financial statements

STATE OF IDAHO
SOUTHWEST DISTRICT HEALTH (III)
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUND
AS OF JUNE 30, 2010

	June 30, 2010 Special Revenue Fund
<u>ASSETS</u>	
Cash and Cash Equivalents	\$1,875,828
Total Assets	<u>\$1,875,828</u>
<u>FUND BALANCES</u>	
Unreserved Special Revenue Fund	\$1,875,828
Total Fund Balance	<u><u>\$1,875,828</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
SOUTHWEST DISTRICT HEALTH (III)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Year Ended June 30, 2010		
	Special Revenue	Millennium	Total
	Fund	Fund	Governmental
	0290	0499	Funds
<u>RECEIPTS</u>			
Health and Professional Services	\$1,004,838	\$0	\$1,004,838
Interest on Investments	10,211	0	10,211
Federal Grants	4,166,819	0	4,166,819
State Grants	220,644	42,600	263,244
City/County Grants	1,116,688	0	1,116,688
General Fund Support	1,309,400	0	1,309,400
Total Receipts	<u>\$7,828,600</u>	<u>\$42,600</u>	<u>\$7,871,200</u>
<u>DISBURSEMENTS</u>			
Administration	\$2,606,758	\$0	\$2,606,758
Family Health Services	2,087,592	0	2,087,592
Environmental Health	1,120,258	0	1,120,258
General Support	2,472,914	0	2,472,914
Nutrition and Health Promotion	1,596,157	42,600	1,638,757
Total Disbursements	<u>\$9,883,679</u>	<u>\$42,600</u>	<u>\$9,926,279</u>
Excess (Deficiency) of Receipts Over Disbursements - Net Change in Fund Balance	<u>(\$2,055,079)</u>	<u>\$0</u>	<u>(\$2,055,079)</u>
Beginning Cash Basis Fund Balance, (as restated)	<u>\$3,930,907</u>	<u>\$0</u>	<u>\$3,930,907</u>
Ending Cash Basis Fund Balance	<u><u>\$1,875,828</u></u>	<u><u>\$0</u></u>	<u><u>\$1,875,828</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. REPORTING ENTITY

In determining how to define Southwest District Health (III) for financial reporting purposes, management has considered all potential component units in accordance with GASB Statement 14. The legislature created seven health districts throughout the State in 1970. In 1976, the legislature expressed specific intent that the districts were not to be considered State agencies, but were to be recognized as authorized governmental entities. Although the districts are not State agencies, all districts have opted to process their financial transactions through the State accounting system.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Beginning in fiscal year 2010, the District elected to change its financial statement presentation from the accrual basis of accounting to cash basis, or an *Other Comprehensive Basis of Accounting (OCBOA)*.

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (*Statement of Net Assets – Cash Basis* and *Statement of Activities – Cash Basis*) report information on all activities of the District. These activities are financed through General Fund appropriations, county contributions, federal grants, State grants, local grants, and program revenues.

The *Statement of Net Assets – Cash Basis* presents the District's cash and cash equivalent balances of the governmental activities at year end. The *Statement of Activities – Cash Basis* demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those that are clearly identifiable within a specific function. Program receipts include fees and charges paid by recipients of goods or services offered by the program. Appropriations, contributions, interest income, and other items not meeting the definition of program receipts are reported as general receipts.

The Special Revenue Fund accounts for all financial resources of the District, except those required to be accounted for in the Millennium Fund. In the governmental fund financial statements, receipts are reported by source and disbursements are reported by functions.

B. Basis of Accounting

The cash basis of accounting is applied in preparing the District's financial statements. Receipts are recorded when cash is received, rather than when revenue is earned. Disbursements are recorded when cash is paid, rather than when a liability is incurred.

The cash basis of accounting precludes the inclusion of some assets and liabilities, such as accounts receivable, accounts payable, and accrued liabilities. These items are not included in the presentation of these financial statements.

C. Assets, Liabilities, and Net Assets

Cash

The District's primary governmental fund cash are considered to be cash on hand and are on deposit with the State Treasurer's Office.

Investments

Investments are reported at fair value. Additional disclosure is identified in Note 3.

Capital Assets

Acquisitions of property and equipment are recorded as disbursements when paid. These items are not reflected as assets in these financial statements.

NOTE 3. CASH AND INVESTMENTS

The District participates in the State Treasurer's internal and external investment pools. The IDLE Fund is an internal investment pool managed by the State Treasurer's Office on behalf of participants. Money not needed to meet immediate operating obligations is invested in accordance with Idaho Code, Section 67-1210 and 67-1210A. Participation in the pool is mandatory.

The District also participates in the Local Government Investment Pool, which is an external investment pool sponsored by the State Treasurer's Office. A copy of the State's *Comprehensive Annual Financial Report (CAFR)*, including the investment pool's financial statement, is available from the Office of the State Controller, Bureau of Reporting and Review. Idaho Code restricts the State Treasurer to certain types of investments.

Credit Risk

The Local Government Investment Pool is unrated.

Interest Rate Risk

The following schedule represents the District's investments in the external investment pool, and a distribution of the pool's maturities at June 30, 2010:

	<u>Fair Value</u>	<u>Maturity</u>
2010 Investment in External Investment Pool	\$1,612,224	1 Year Average

The State Treasurer has an informal investment policy that limits certain investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

The District has no formal policy to mitigate interest rate risk or credit risk.

NOTE 4. COMPENSATED ABSENCES

The District is not part of the State, but has elected to follow State rules on compensated absences. Upon termination, accrued leave balances such as vacation and overtime are paid as cash payments to employees. Consistent with cash basis accounting, compensated absences earned are not included in these financial statements.

NOTE 5. PENSION PLAN

Public Employee Retirement System of Idaho (PERSI) – The PERSI Base Plan is a cost-sharing, multiple-employer public retirement system created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to

establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible State and school district employees, the legislation provided for political subdivisions to participate by contractual agreement with PERSI. Financial reports for the plan are available on the PERSI website or in print upon request.

After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each year of credited service, the annual service retirement allowance is 2.0% of the average monthly salary for the highest consecutive 42 months.

The contribution requirements of Southwest District Health (III) and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2010, the required contribution rate as a percentage of covered payroll for members was 6.23% for general members. The employer rate as a percentage of covered payroll was 10.39% for general members. District contributions for the years ended June 30, 2008, 2009, and 2010, were \$387,150, \$393,739, and \$393,158, respectively.

The PERSI Choice Plan is a defined contribution retirement plan. The defined contribution plan includes the 401(k) and the 414(k). Statutes governing the PERSI Choice Plan are found in Idaho Code, Title 59, Chapter 13. The 414(k) plan was established for gain-sharing allocations from the PERSI Base Plan. The gain-sharing amount (if any) is based on funding levels in the PERSI Base Plan.

The 401(k) plan is open to all active PERSI Base Plan members. Eligibility for the 414(k) gain-sharing requires 12 months of active PERSI membership as defined in Idaho statutes and PERSI rules. The assets of the 401(k) and the 414(k) are commingled for investment and record keeping purposes. The other significant accounting policies are the same as the PERSI Base Plan.

Participants in the 401(k) plan can make tax-deferred contributions to up to 100% of their gross salary, less deductions and subject to the IRS annual contribution limit. Participants direct their own investment mix without restriction and may elect to change their deferral every pay period. For the audit period, no voluntary employer matching contributions have been made.

NOTE 6. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

The State funds, or partially funds, post-employment benefits relating to health, disability, and life insurance. Idaho Code, Sections 67-5760-67-5767 and 72-1335, establish the benefits and contribution obligations. The District participates in the State of Idaho's post-employment benefit programs. The State administers the retiree health care plan which allows retirees to purchase health care insurance coverage for themselves and eligible dependents. Effective July 1, 2009, legislative changes to the retiree health care plan regarding eligibility stipulate that an officer or employee must be an active employee on or before June 30, 2009, and retire directly from State service; the maximum benefit is \$1,860 per retiree per year. Beginning January 1, 2010, coverage was not available to Medicare-eligible retirees or their Medicare-eligible dependents. These changes have significantly reduced the liability.

The State provides long-term disability income benefits for active employees who become disabled, generally up to a maximum age of 70. The District pays 100% of the premiums.

The State provides basic life and dependent life coverage for disabled employees, generally up to a maximum age of 70. The District pays 100% of the cost of the premiums.

For up to 30 months following the date of disability, an employee is entitled to continue health care coverage under the State plan. The District pays 100% of its share of medical and dental premiums, while the employee remains disabled. The employee is required to pay the normal active employee contribution for the plan and rate category in which the employee is enrolled.

The State is reporting the liability for the retiree health care and long-term disability benefits. The District made no contributions towards the liability during fiscal year 2010. Specific details of these OPEB are available in the statewide *CAFR*.

NOTE 7. LEASES

Operating Leases

Operating leases are leases for which the District will not gain title to the asset. They contain various renewal options, as well as some purchase options. Operating lease payments are recorded as expenditures of the related funds when paid or incurred. The District's total operating lease expenditures for fiscal year 2010 were \$84,851.

Capital Leases

On February 1, 2010, the District entered into an agreement with the Idaho Health Facilities Authority to finance the construction of a new clinic building in Caldwell. The Authority obtained funding through a \$4,700,000 loan from Zions Bank, which was funded by a Build America Bond, Series 2010. Under the provisions of an Indenture, the Authority assigned certain rights, including the collection of the lease payments to Zions Bank. Principal and interest payments will be made from the District to Zions Bank in biannual installments beginning August 1, 2010, and ending February 1, 2030.

Changes to long term debt:

Beginning Balance July 1, 2009	\$0
Increases	4,700,000
Decreases	0
Ending Balance June 30, 2010	<u>\$4,700,000</u>

Future lease payments to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2011	\$170,000	\$170,683
2012	164,000	175,966
2013	171,000	169,460
2014	178,000	162,698
2015	184,000	155,663
2016	192,000	148,373
2017	200,000	140,769
2018	208,000	132,851
2019	216,000	124,621
2020	224,000	116,076
2021	233,000	107,218
2022	242,000	97,987
2023	252,000	88,404
2024	262,000	78,429
2025	272,000	68,062
2026	283,000	57,303
2027	295,000	46,093
2028	305,000	34,433
2029	318,000	22,361

NOTE 8. RISK MANAGEMENT

The District is exposed to various risks of property and casualty losses, and injuries to employees. Accordingly, the District belongs to the State of Idaho Risk Management and Group Insurance internal service funds, available to all State entities. Risk Management provides property and general liability risk coverage for its members. General liability claims are self-insured up to the Idaho Tort Claims Act maximum of \$500,000 for each occurrence; property damage claims up to \$250,000 per occurrence annually; and physical damage to covered vehicles at actual cash value. The District also participates in the Idaho State Insurance Fund, which purchases commercial insurance for claims not self-insured by the above coverage, and for other identified risks of loss, including workers' compensation insurance. Details of the Risk Management and Group Insurance coverage can be found in the statewide *CAFR*.

NOTE 9. CHANGE IN ACCOUNTING PRINCIPLE

The District elected to present the financial statements on a cash basis beginning with the fiscal year ended June 30, 2010. The District previously presented full and modified accrual statements in accordance with GAAP. The District management has elected the cash basis of accounting requiring restatement of certain beginning balances of accounts listed in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF IDAHO
SOUTHWEST DISTRICT HEALTH (III)
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS - BUDGET TO ACTUAL
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<u>RECEIPTS</u>				
State	\$1,416,500	\$1,416,500	\$1,309,400	(\$107,100)
County	1,106,427	1,106,427	1,116,688	10,261
Contracts	3,515,535	3,515,535	4,504,672	989,137
Fees	1,094,405	1,094,405	884,838	(209,567)
Interest, Rent & Investment Income	63,252	63,252	10,211	(53,041)
Sale of Land, Building, & Equipment	21,275	21,275	13,190	(8,085)
Miscellaneous Revenue	33,030	33,030	32,201	(829)
Total Receipts	<u>\$7,250,424</u>	<u>\$7,250,424</u>	<u>\$7,871,200</u>	<u>\$620,776</u>

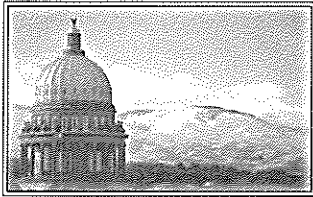
	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<u>DISBURSEMENTS</u>				
Personnel Costs	\$5,690,369	\$5,690,369	\$5,528,533	\$161,836
Operating	1,360,055	1,360,055	1,427,147	(67,092)
Capital Outlay	0	0	2,730,389	(2,730,389)
Trustee Benefits	200,000	200,000	240,211	(40,211)
Total Disbursements	<u>\$7,250,424</u>	<u>\$7,250,424</u>	<u>\$9,926,279</u>	<u>(\$2,675,856)</u>

The accompanying notes are an integral part of this financial schedule.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1. BUDGET COMMITTEE

The chairmen of the boards of county commissioners located within the District serve as the Budget Committee for the District. The District's Board submits the budget to the Budget Committee. The budget is prepared on a cash basis. The District's budget is approved by a majority of the Budget Committee, and any adjustments to the budget are approved by the District Board of Health.



Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

October 28, 2011

Independent Auditor's Report on Internal Control over
Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

Bruce Krosch, Director
Southwest District Health (III)
13307 Miami Lane
Caldwell, ID 83607

William Brown, Chair, District III Board of Health
c/o Adams County Courthouse
P. O. Box 48
Council, ID 83612

Dear Mr. Krosch and Mr. Brown:

We have audited the financial statements of the governmental activities, major fund, and the remaining fund information of Southwest District Health (III) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis 14

Don H. Berg, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

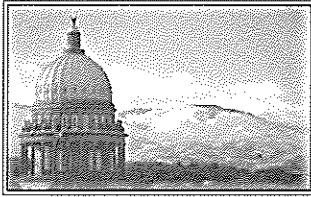
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the State of Idaho, Southwest District Health (III), and the District III Board of Health and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink, appearing to read 'Don H. Berg', with a stylized flourish extending from the end.

Don H. Berg, CGFM, Manager
Legislative Audits Division



Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

October 29, 2011

Independent Auditor's Report on Compliance with
Requirements Applicable to Each Major Program
and on Internal Control over Compliance in
Accordance with OMB Circular A-133

Bruce Krosch, Director
Southwest District Health (III)
13307 Miami Lane
Caldwell, ID 83607

William Brown, Chair, District III Board of Health
c/o Adams County Courthouse
P. O. Box 48
Council, ID 83612

Dear Mr. Krosch and Mr. Brown:

Compliance

We have audited the compliance of Southwest District Health (III) with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB *Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements, and performing such other procedures that we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis

16 Don H. Berg, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct, material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on the internal control over compliance in accordance with OMB *Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Idaho Legislature, the management of Southwest District Health (III), the federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink, appearing to read 'Don H. Berg', with a stylized flourish extending from the end.

Don H. Berg, CGFM, Manager
Legislative Audits Division

STATE OF IDAHO
SOUTHWEST DISTRICT HEALTH (III)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/ Program Title	CFDA Number	Contract Number	Pass- Through Entity*	Contract Period	Contract Amount	Federal Expenditures
US Department of Agriculture						
WIC	10.557	HC626200	1	10/01/08-09/30/09	\$1,643,908	\$383,016
WIC	10.557	HC658600	1	10/01/09-09/30/10	1,799,052	1,275,825
Total CFDA 10.557						<u>\$1,658,841</u>
Total US Department of Agriculture						<u>\$1,658,841</u>
US Environmental Protection Agency						
Public Water Systems	66.468	S316	2	07/01/09-06/30/11	187,363	\$94,389
Total CFDA 66.468						<u>\$94,389</u>
Total US Environmental Protection Agency						<u>\$94,389</u>
US Department of Health and Human Services						
NACCHO-MRC Award	93.008		3		5,000	\$5,000
Total CFDA 93.008						<u>\$5,000</u>
H1N1 Epidemiology	93.069	HC664500	1	09/18/09-07/30/10	22,275	\$20,250
H1N1 Phase I & II	93.069	HC660500	1	09/17/09-07/31/10	1,013,880	643,745
Public Health Preparedness	93.069	HC650900	1	08/10/09-08/09/10	383,772	324,922
PHEP Epidemiology	93.069	HC615600	1	08/10/08-08/09/09	129,600	25,839
PHEP Epidemiology	93.069	HC648700	1	08/10/09-08/09/10	128,396	115,094
Public Health Preparedness	93.069	HC612700	1	08/10/08-08/09/09	396,882	32,563
Total CFDA 93.069						<u>\$1,162,413</u>
TB/DOT	93.116	HC631700	1	01/01/09-12/31/09	15,071	\$5,540
TB/DOT	93.116	HC675100	1	01/01/10-12/31/10	11,018	9,598
Total CFDA 93.116						<u>\$15,138</u>
Family Planning, Title X	93.217	HC646100	1	06/30/09-06/29/10	148,426	\$148,426
Total CFDA 93.217						<u>\$148,426</u>
Asthma Prevention Activities	93.283	HC583700	1	09/01/07-08/31/09	28,000	\$963
Comprehensive Cancer Control Activities	93.283	HC604100	1	06/30/08-06/29/10	34,000	16,989
NEDSS	93.283	HC637800	1	04/01/09-12/31/09	18,656	18,656
NEDSS	93.283	HC673500	1	01/01/10-12/31/10	20,923	10,220
West Nile Virus Activities	93.283	HC639500	1	05/15/09-12/31/09	3,850	2,416
West Nile Virus Activities	93.283	HC685300	1	06/15/10-12/31/10	3,000	155
WHC Case Management	93.283	HC644700	1	06/30/09-06/29/10	46,676	46,676
Total CFDA 93.283						<u>\$96,075</u>
Adolescent Pregnancy Prevention	93.558	HC666200	1	10/01/09-06/30/10	15,000	\$15,000
IRIS	93.558	HC647100	1	07/01/09-03/12/10	45,471	30,596
Total CFDA 93.558						<u>\$45,596</u>
Child Care Health and Safety Program	93.575	WC065400-D3	4	04/01/10-06/30/11	Variable	\$25,165
Idaho Child Care Program Inspections	93.575	WC056000	1	07/01/06-04/01/10	787,028	118,590
Total CFDA 93.575						<u>\$143,755</u>
Tobacco Prevention Activities	93.723	HC635500	1	03/30/09-02/03/12	86,538	\$44,486
Total CFDA 93.723						<u>\$44,486</u>

The accompanying notes are an integral part of this financial schedule.

STATE OF IDAHO
SOUTHWEST DISTRICT HEALTH (III)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/ Program Title	CFDA Number	Contract Number	Pass- Through Entity*	Contract Period	Contract Amount	Federal Expenditures
H1N1 ASPR	93.889	HC661100	1	09/17/09-07/30/10	\$60,792	\$60,292
Hospital Preparedness	93.889	HC613300	1	08/09/08-08/08/09	338,659	15,748
Hospital Preparedness	93.889	HC649900	1	08/09/09-06/30/10	287,446	275,915
Total CFDA 93.889						<u>\$351,955</u>
HIV Prevention Project	93.943	HC536900	1	03/31/06-12/31/09	40,000	\$5,250
Total CFDA 93.943						<u>\$5,250</u>
HIV Surveillance Activities	93.944	HC630900	1	01/01/09-12/31/09	3,500	\$1,750
HIV Surveillance Activities	93.944	HC674200	1	01/01/10-12/31/10	3,500	1,750
Total CFDA 93.944						<u>\$3,500</u>
STD Prevention	93.977	HC633800	1	01/01/09-12/31/09	64,777	\$26,483
STD Prevention	93.977	HC676600	1	01/01/10-12/31/10	74,830	37,240
Total CFDA 93.977						<u>\$63,723</u>
Diabetes Activities	93.988	HC636700	1	03/30/09-03/29/10	18,650	\$14,956
Diabetes Activities	93.988	HC679700	1	04/01/10-03/31/11	20,500	7,810
Total CFDA 93.988						<u>\$22,766</u>
Fit & Fall Proof Activities	93.991	HC622700	1	10/01/08-09/30/09	39,000	\$5,891
Fit & Fall Proof Activities	93.991	HC657500	1	10/01/09-09/30/10	45,046	37,096
Total CFDA 93.991						<u>\$42,987</u>
MCH Epidemiology	93.994	HC623600	1	10/01/08-09/30/09	30,084	\$14,480
MCH Epidemiology	93.994	HC659700	1	10/01/09-09/30/10	33,131	23,056
MCH Reproductive Health	93.994	HC627900	1	10/01/08-09/30/09	85,902	21,476
MCH Reproductive Health	93.994	HC665500	1	10/01/09-09/30/10	89,881	67,411
Oral Health Activities	93.994	HC642300	1	07/01/09-06/30/10	30,521	30,521
Total CFDA 93.994						<u>\$156,944</u>
Total US Department of Health and Human Services						<u>\$2,308,014</u>
Total Cash Expenditures						<u>\$4,061,244</u>
WIC Food Vouchers	10.557					\$3,587,946
Value of Contraceptives	93.217					113,200
Total Non-Cash Expenditures						<u>\$3,701,146</u>
Total Expenditures of Federal Awards						<u>\$7,762,390</u>

* Pass Through Entities

1. Idaho Department of Health and Welfare
2. Idaho Department of Environmental Quality
3. The National Association of County and City Health Officials (NACCHO)
4. Central District Health Department (IV)

The accompanying notes are an integral part of this financial schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*.

The CFDA refers to the *Catalog of Federal Domestic Assistance*, which is a government-wide list of individual federal programs.

NOTE 2. WIC FOOD VOUCHERS

The District uses the Idaho Department of Health and Welfare's determination of eligibility, if one exists, for clients participating in the Women, Infants, and Children (WIC) program. If a client has not applied through the Idaho Department of Health and Welfare for eligibility in federal programs, the District determines eligibility for participation in the WIC program using federal guidelines specific to the program. Within the WIC program, the District distributes food checks to clients and controls unissued food checks. The Idaho Department of Health and Welfare issues and redeems food checks, controls the food checks issued, and reviews program compliance. The value of the food checks redeemed through the Idaho Department of Health and Welfare was \$3,587,946 for fiscal year 2010.

NOTE 3. VALUE OF CONTRACEPTIVES

The District provides contraceptives on a sliding fee scale to eligible clients of the federally-funded Family Planning, Title X program. The Idaho Department of Health and Welfare purchases the contraceptives and supplies them to the District as needed. The value of contraceptives supplied to the District by the Idaho Department of Health and Welfare was \$113,200 for fiscal year 2010.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Basic Financial Statements

1. The independent auditor's report on the basic financial statements expressed an unqualified opinion.
2. The audit of the basic financial statements did not disclose a significant deficiency that was considered a material weakness.
3. The audit did not disclose any instances of noncompliance considered material to the basic financial statements.

Federal Awards

4. The audit did not disclose any significant deficiencies in internal control over major programs.
5. The independent auditor's report on compliance for major programs expressed an unqualified opinion for all major programs.
6. The audit did not disclose any findings that must be reported in accordance with criteria in Section 510a of OMB *Circular A-133*.
7. Major programs are listed below:

<u>Program Title</u>	<u>CFDA Number</u>
WIC	10.557
Public Health Emergency Preparedness	93.069
Hospital Preparedness	93.889

8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. Southwest District Health (III) did qualify as a low-risk auditee as defined by OMB *Circular A-133*.

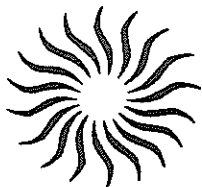
SECTION II. FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS

NONE

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

AGENCY RESPONSE



Southwest District Health

13307 Miami Lane ♦ P.O. Box 850 ♦ Caldwell, Idaho 83606 ♦ (208) 455-5300 ♦ Fax (208) 454-7722

1008 East Locust
Emmett, ID 83617
(208) 365-6371

1155 3rd Avenue North
Payette, ID 83661
(208) 642-9321

46 West Court Street
Weiser, ID 83672
(208) 549-2370

Administration
455-5317

*Environmental
Health*
455-5400

Family Health
455-5395

General Support
455-5307

*Nutrition and
Health Promotion*
455-5343

October 28, 2011

Mr. Don Berg, Division Manager
Legislative Audits
Legislative Services Office
P.O. Box 83720
Boise, ID 83720-0054

Dear Mr. Berg:

RE: Legislative Services Office, Individual Entity Audit Report, Southwest District Health (III) for Fiscal Year 2010.

I reviewed and concur with the draft audit report for Southwest District Health for fiscal year 2010 (July 1, 2009 – June 30, 2010). I am pleased that there were no findings and recommendations to report.

Our accounting staff will continue to strive toward excellence in compliance, internal controls, and financial reporting. We thank you, once again, for the professionalism displayed by your audit team while doing their field work.

Sincerely,


Bruce A. Krosch, CPM
Director

APPENDIX

HISTORY

The following is a chronological history of the basic health care services that the State has provided to the public.

- 1907 – The State Board of Health and counties that had local boards of health were statutorily authorized joint responsibility for public health.
- 1947 – A public health district law was enacted that permitted two or more counties to establish a public health district. Participation in the forming of the health districts was voluntary.
- 1970 – The legislature established a law that created seven mandatory public health districts. In Southwest District Health (III), the counties designated were Adams, Canyon, Gem, Owyhee, Payette, and Washington. The director of the Idaho Department of Health and Welfare was designated fiscal officer for the various districts.
- 1976 – Legislative intent was expressed that the health districts are not State agencies, and that they be recognized as authorized governmental entities.
- 1986 – Idaho Code was amended to allow district health departments to promulgate rules and regulations without the State Board of Health's approval.
- 1993 – The legislature clarified the need for district health departments to use the Idaho Administrative Procedures Act for fees and rules.
- 2007 – Legislation changing Idaho Code, Section 39-412 to reflect a change in the compensation of Board members, to reference Idaho Code, Section 59-509(I)
- 2007 – Legislation changing Idaho Code, Section 39-411 composition of districts' boards of health to allow those Districts comprising eight counties to consist of not less than eight members and no more than nine members.
- 2008 – Legislation changing Idaho Code, Section 39-414 to change the language "For purposes of this chapter, a Public Health District is not a subdivision of the state and is considered an independent body corporate and politic, in terms of negotiating long term debt financing."

PURPOSE

The purpose of Southwest District Health (III) is to prevent disease, disability, and premature death; promote healthy lifestyles; and protect and promote the health and quality of an environment in which people can be healthy.

STATUTORY AUTHORITY

The statutory authority for the District is found in Idaho Code, Title 39, Chapter 4.

ORGANIZATION

The District is supervised by a six-member board appointed by the county commissioners of the counties served, plus one physician member, as allowed by Idaho Code, Section 39-411. Board members serve staggered five-year terms, and are reimbursed \$75 per working day plus all necessary travel expenses. The board appoints a director to administer and manage day-to-day activities of the District. Physicians and pharmacists provide medical consulting services to the District.

The District is organized into five major sections:

1. Administration – Provides day-to-day managerial guidance for the District. In fiscal year 2003, the public health preparedness programs were added under this section.
2. General Support – Provides budget, accounting, billing/collections, accounts payable, building management, as well as administrative, personnel, purchasing, and information technology support for all divisions, sections, and satellite facilities throughout the District.
3. Family Health Services – Provides services such as family planning, immunization, tuberculosis services, sexually transmitted disease (STD) treatment, HIV/AIDS testing, communicable disease treatment and control.
4. Environmental Health – Provides solid waste management services, food protection through inspection and licensing of food handling establishments, day care facility inspections, testing, certification and licensing of septic system installers and pumpers, review of subdivision engineering reports, and drinking well water testing.
5. Nutrition and Health Promotions – Provides nutrition assessment health and education services to residents and agencies throughout the District, including the administration of the Women, Infants, and Children (WIC) nutrition program. This division also provides risk reduction education and awareness programs such as tobacco cessation, cancer education, diabetes, and physical activity/nutrition programs.

The District's central offices and clinics are located in Caldwell. Additionally, five satellite clinics are located in Emmett, Homedale, Nampa, Payette, and Weiser. An organizational chart is attached.

STAFFING

At the end of fiscal year 2010, the District had 83 classified employees, 5 exempt employees, 5 part-time classified employees, 1 full-time temporary employee, and 14 part-time temporary employees, for a total of 108 employees.

FUNDING

Financing for the District comes from State General Fund appropriations; county contributions; contracts from federal, State, and private vendors; fees for providing client services; the sale of septic system permits; mortgage survey services; subdivision plan reviews; and food facility inspections. Also, some revenue is generated from donations. The amount included in the District's General Fund appropriation request is determined by Idaho Code, Section 39-425. The legislature sets the District's General Fund appropriation, which can be more or less than the amount requested.

The District also receives funds from contracts with the Idaho Department of Health and Welfare, Idaho Department of Environmental Quality, cities, and other governmental agencies, as well as fees for public health services, environmental inspections, and licensing.

Board of Health

The numbers indicated behind the position reflect the number of people on staff not FTE's

Director (1)

Public Information Officer (1)

Administrative Assistant 2 (1)

Director
Division of Nutrition and
Health Promotion Services (1)

Clinical Assistant (26)
Nutritionist, Pub Hlth (3)
Nutritionist, Supv, Pub Hlth (1)
Office Services Supv 1 (2)
Office Specialist 1 (1)
Pub Hlth Program Mgr 1 (1)
Administrative Assistant 1 (2)
Health Ed Specialist (1)

Director
Division of Family Health Services (1)

Administrative Assistant 1 (2)
Customer Service Rep (6)
Dentist (1)
Dental Hygienist (1)
Medical Assistant (3)
Nurse, Advanced Practice (3)
Nurse, Licensed Practical (4)
Nurse, Registered, Mgr (2)
Nurse, Registered, Sr (4)
Office Services Supv 1 (1)
Office Specialist 2 (3)
Pharmacist, Clinical (1)
Physician, Pub Hlth (2)

Public Health Program
Manager 2 (1)

Epidemiologist, Staff (2)
Health Ed. Specialist, Sr (1)
Nurse, Registered Sr (1)
Planner (1)

Director
Division of General Support/
Financial Manager (1)

Administrative Assistant 1 (1)
Custodian Leadworker (1)
Financial Specialist Sr (1)
Financial Support Technician (2)
IT Database Analyst (1)
IT Network Analyst (1)
IT Resource Manager (1)
Office Specialist 2 (2)
Personnel Technician (1)
Receptionist (1)

Director
Division of Environmental
Health (1)

EH Specialist 2 (5)
EH Specialist, Sr (3)
EH Supervisor (1)
Office Services Supv 1 (1)
Office Specialist 1 (1)
Office Specialist 2 (2)

FTE's

Classified (Permanent)	Non-Classified (Temporary)
Full-time = 88	Full-time = 1.00
Part-time = 3.75	Part-time = 2.70
Total = 91.75	Total = 3.70

Staff Members: 108
FTE's: 95.45

PEOPLE

Classified (Permanent)	Non-Classified (Temporary)
Full-time = 88	Full-time = 1
Part-time = 5	Part-time = 14
Total = 93	Total = 15

Bruce A. Krosch

Bruce A. Krosch, Director

7/31/10

Date

FY2010 Period Ending June 30, 2010